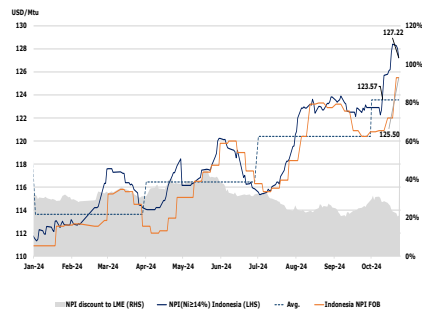


Overweight

(Maintained)

NPI (US\$/t)



LME Nickel (US\$/t)



Source: SMM, Bloomberg

BRI Danareksa Sekuritas Analysts

Timothy Wijaya

(62-21) 5091 4100 ext. 3504

timothy.wijaya@brids.co.id

Metal Mining

NPI price could weaken on RKAB release, Tin Price Potential Rebound on Supply Tightness

- While Tin prices have softened, China still struggles to source tin ore, which has decreased refined tin production by 31% mom.
- We expect Ni ore premium to ease after WBN’s RKAB quota release, while NPI price surged due to china’s temporary ss restocking.
- We reiterate our Overweight rating on the sector, with TINS and NCKL as our top picks due to their stronger earnings visibility.

Tin prices cooled down, but we see a potential for a rebound

Refined tin inventory in China declined by 6% mom as China struggles to secure tin ore from Myanmar. As a result, tin ore imports have continued to decline by -6% mom, while refined tin production dropped by 31% mom. On the other hand, Indonesia’s tin exports have improved, with national exports in 3Q24 amounting to 14.9kt, +40% qoq, dominated by private smelter’s sales contribution. However, the MEMR has recently announced the revocation of 15 mining licenses that were connected to the corruption case in TINS, which could tighten supply should they have export quotas. Nonetheless, we expect an outperformance in TINS’ upcoming 3Q24 earnings as LME tin price was consistently above US\$30k/ton and cash cost has been improving post its Ausmelt reactivation.

NPI price at a record high, ore premium should ease

Influx of Stainless steel demand post China’s golden week holiday has prompted restocking activities from stainless steel mills, which drove NPI price to its highest YTD at US\$12,800/ton. On the other hand, stainless steel (SS) exports stood at 524kt in September, -6% mom, yet are still considered high as the market was expecting an anti-dumping measure to be implemented for Chinese SS. Meanwhile, ESDM approved WBN’s latest ore quota at 32mn wmt, which was lower than its FY23 sales volume of 36mn wmt but should be enough to alleviate the ore premium situation, starting at the beginning of 2025.

Maintain Overweight on the sector with unchanged top picks of TINS/NCKL

We believe there are opportunities for NPI producers to capitalize on the stronger NPI price throughout October to produce strong cash margins of up to c.US\$4k/ton for NCKL and c.US\$2k/ton for MBMA/ANTM. Furthermore, ANTM should be able to capitalize on the existing ore premium sales to third parties as there is a time lag between WBN’s RKAB quota approval and delivery of its actual sales. Nonetheless, ANTM should benefit from both situations as it owns 10% of WBN. Thus, we maintain our overweight rating in the sector, with pecking order as follows: TINS> NCKL> ANTM> MDKA> MBMA> INCO.

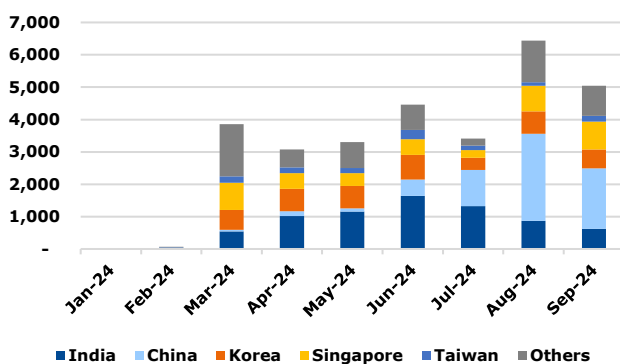
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2025F
					2024F	2025F	2024F	2025F	
Timah	TINS IJ	BUY	1,400	9,942.8	11.5	10.4	1.4	1.3	13.1
Trimegah Bangun Persada	NCKL IJ	BUY	1,300	57,104.2	11.3	8.7	2.1	1.8	22.4
Merdeka Copper Gold	MDKA IJ	BUY	3,000	61,916.6	936.6	39.3	3.7	3.4	9.0
Merdeka Battery Materials	MBMA IJ	BUY	650	57,237.6	96.8	32.0	2.3	2.2	7.1
Aneka Tambang	ANTM IJ	BUY	2,000	38,929.8	13.5	15.0	1.3	1.2	8.3
Vale Indonesia	INCO IJ	BUY	5,700	40,936.3	27.8	28.5	1.0	1.0	3.6

Tin updates: Slight relaxation as LME supply increase, yet Chinese smelters still lack ore to process

Indonesia’s September refined tin export volume retreated to 5,043 tonnes, -22% mom, due to a normalization period from volatilities in Jul-Aug24 caused by the implementation of SIMBARA. Main export destinations remain China at 1.9kt, -31% mom, Singapore at 859t, +8% mom, and India at 622t, -29% mom. Meanwhile, other destinations accounted for 1.7kt, -19% mom.

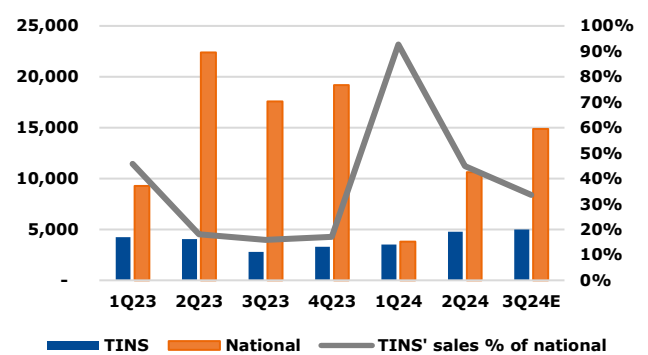
As of Sep24, Indonesia’s QTD exports stood at 14.9kt, +40% qoq; -15% yoy, whilst YTD exports stood at 29.3kt, -41% yoy. We believe the private smelter’s export volume remains strong as the monthly export run-rate stood at 4.9kt in 3Q24 vs. 3.5kt in 2Q24.

Exhibit 1. Indonesia refined tin export destination



Source: Company, BPS, BRIDS

Exhibit 2. TINS vs. National export volume

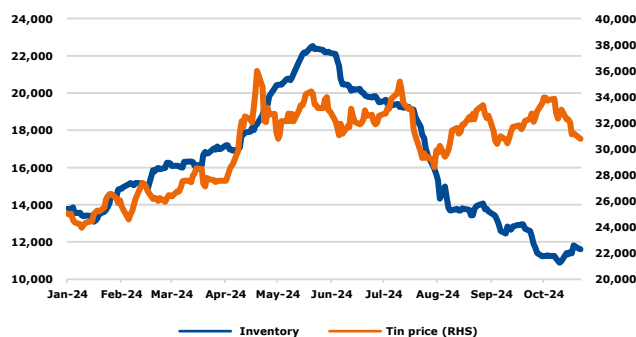


*TINS figure is an estimation

Source: Company, MoT, BRIDS Estimates

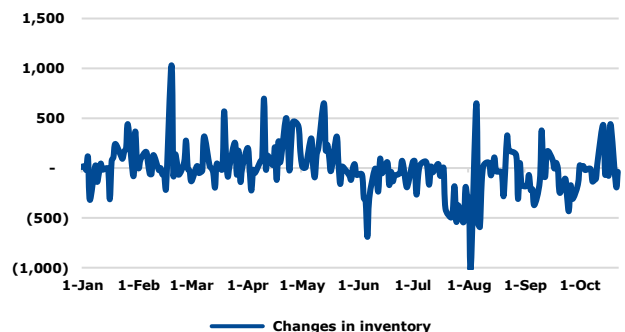
We expect TINS’ 3Q production/sales volume to range at 4.8kt-5kt, which would be flattish compared to the industry exports that grew +40% qoq. Nonetheless, we expect TINS will be able to reduce its cash cost component in 4Q24 from the operation of TSL Ausmelt and post stronger earnings on the back of the continued strong tin price. **We believe an earnings estimates upgrade is imminent** as our FY24 earnings forecast is likely to be achieved in 9M24.

Exhibit 3. LME tin price and SHFE+LME inventory



Source: Bloomberg, BRIDS

Exhibit 4. Changes in tin inventories (SHFE+LME)

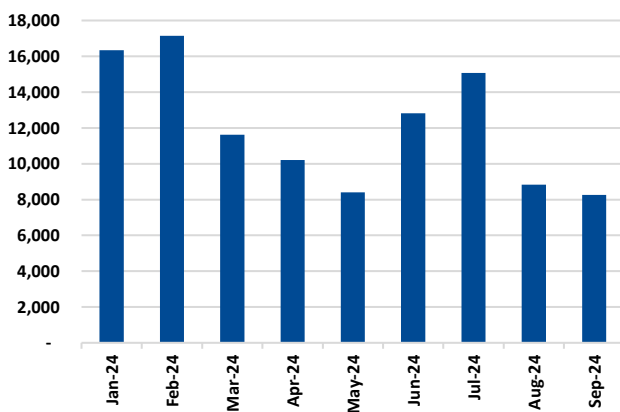


Source: Bloomberg, BRIDS

Based on a survey by SMM, several tin smelters in China continue to face **difficulties in procuring raw material** due to the continuous decline of tin ore from Myanmar. Thus, it is expected that China’s **refined tin production to remain low for the remainder of the year**. Note that **September refined tin production has declined to 10.6kt, -31% mom; -31% yoy**.

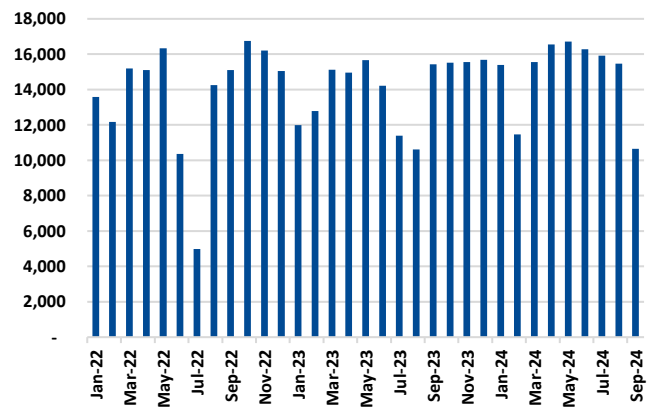
Since our last report (Read: [Sep-24 Metal Sector Update](#)) total inventories in exchanges have continued to decline by -6% to 11.6kt, mainly driven by a drawdown in **SHFE (-13%)** while LME inventory slightly increased (9%). We continue to believe that the ore shortage was caused by Myanmar’s depleting ore exports, which could escalate further should its inventory eventually run out, as **China’s September ore import has continue to decline at 8.3mt, -6.3% mom**.

Exhibit 5. China’s tin ore import volume



Source: SMM, BRIDS

Exhibit 6. China’s refined tin production



Source: SMM, BRIDS

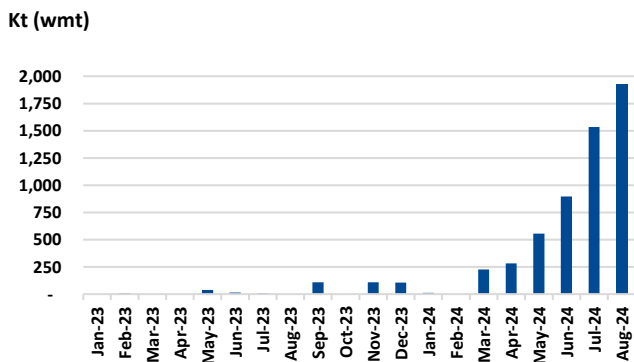
The Ministry of Energy and Mineral Resources have recently blocked 15 tin mining business license (IUP) in relation to the corruption case involving PT Timah Tbk. It was reported that these mining licenses are relatively small in size. Though they are small, we believe any closure of operation would further tighten the market and thus keep tin prices at an elevated level of US\$30,000/ton.

Nickel updates: Ore premium should fade, yet NPI price remains strong

A major announcement was made over the week with the **approval of Weda Bay Nickel’s revised RKAB quota to 32mn wmt** for the period of 2024-2026. The approved quota is lower than the company’s target of 44mn wmt in FY24 and up to 60mn wmt in the medium term. Note that **WBN is one of Indonesia’s largest nickel mines**, which is a JV between ANTM (10%), Eramet (38%), and Tsingshan (51%) and has produced 36.3mn wmt, representing c.17% of ore demand in 2023.

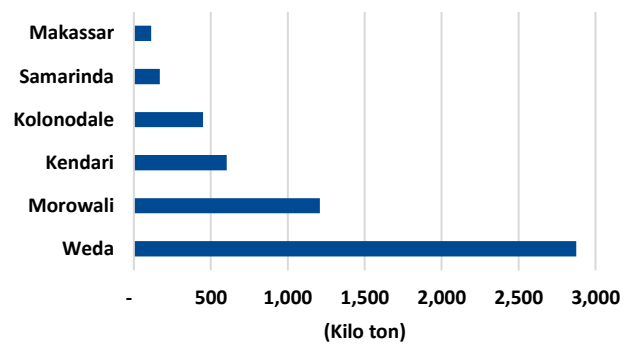
Based on BPS data, **Indonesia’s ore imports** from the Philippines reached **1.9mn wmt in August, +25% mom**, which have moderated since more RKAB approvals were released. **YTD imports amounted to 5.4mn wmt**, with demand mainly coming from **Weda at 2.9mn wmt (54%)** and **Morowali at 1.2mn wmt (22%)**. Thus, we believe that WBN’s quota approval is crucial in easing the ore premium over time.

Exhibit 7. Indonesia’s Nickel Ore Import volume



Source: BPS, BRIDS

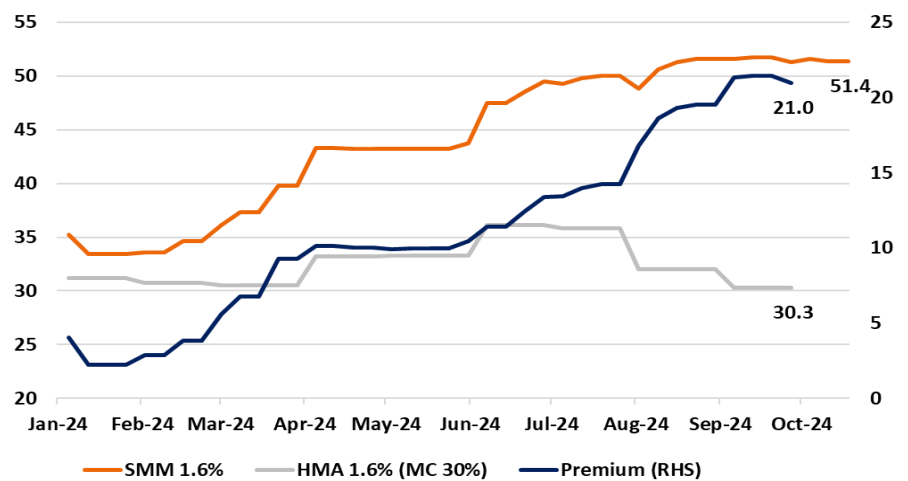
Exhibit 8. YTD ore import destination



Source: BPS, BRIDS

Nonetheless, we believe the quota given to WBN should be **positive for ANTM** as it targets to sell 29mn wmt in FY24, consisting of 2/3 Saprolite and 1/3 Limonite ore. **With a 10% stake, the contribution to ANTM equals 1.9mn wmt of Saprolite and 970k wmt of Limonite ore sales.**

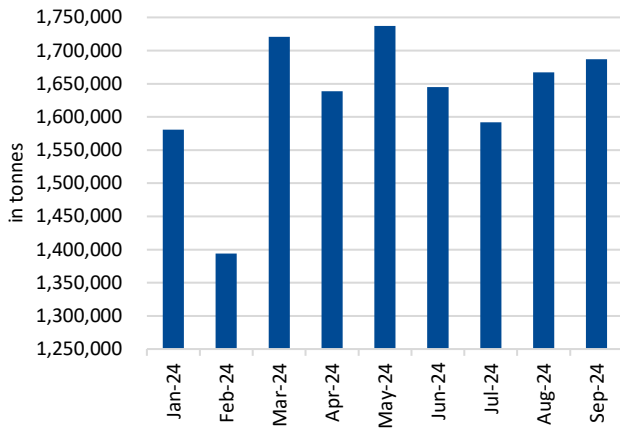
Exhibit 9. Indonesian nickel ore benchmark price



Source: APNI, SMM, BRIDS

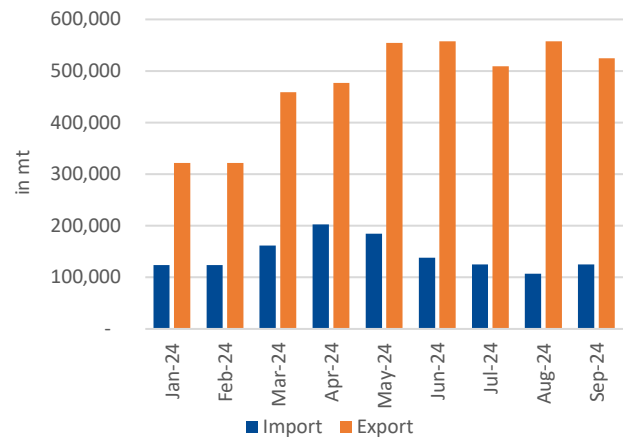
Meanwhile, China reported its September **ore imports from the Philippines at 4.5mn wmt, -7% mom**. Moving forward, although demand from Indonesia might be subdued, there are concerns about delivery as the weather surrounding the Philippines has been rough due to the ongoing tropical storm Kristine.

Exhibit 10. China 300 series production



Source: SMM, BRIDS

Exhibit 11. China stainless steel import-export

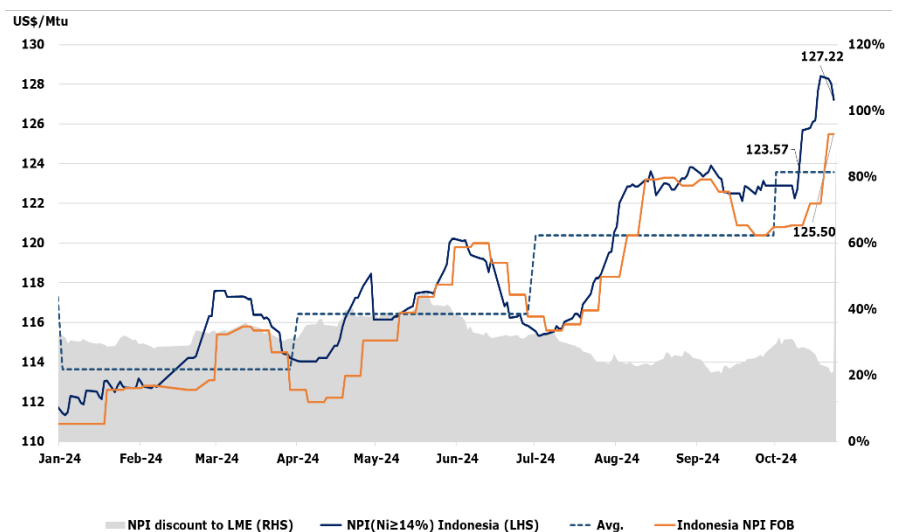


Source: SMM, BRIDS

Despite tepid demand throughout September, when the seasonal restocking usually occurs, October demand seemed stronger as **NPI price rose to its highest level YTD at US\$12,800/ton**. The main driver of the rally is attributed to a stainless steel mill in South China that is planning to increase its capacity, which requires restocking of NPI, according to SMM.

Furthermore, **China’s stainless steel exports stood at 524kt, -6% mom**, lower compared to August, which was a 2-year high, but still considered high above the 500kt threshold, +37% yoy. Note that China is expecting an anti-dumping regulation for its stainless steel to be imposed as soon as November 2024, which should increase export demand before the imposed date.

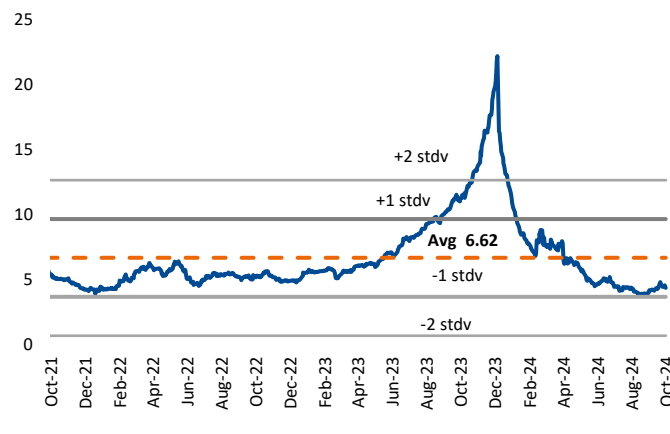
Exhibit 12. NPI Price



Source: SMM, BRIDS Estimates

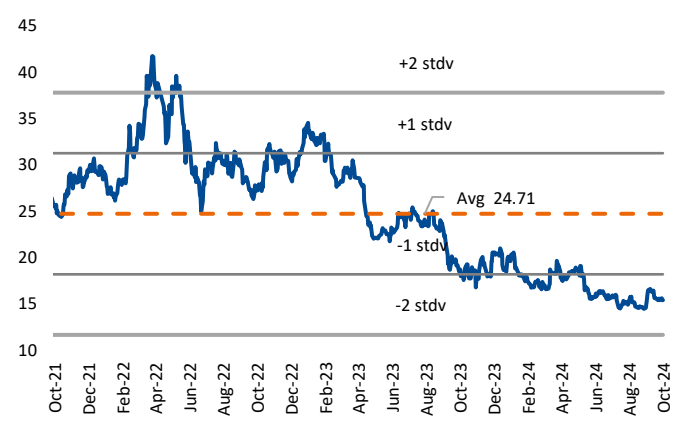
Thus, we continue to like NCKL and would like to reiterate it as our top pick in the sector as it is 1) benefiting from the **strong NPI price rally**, yet share price movement has yet to reflect its supposedly strong earnings potential. Furthermore, incoming catalysts include 2) its **EGMS on the 31st of October** regarding the change in use of proceeds, 3) **stronger 3Q earnings** compared to its nickel peers ([Read: 3Q preview](#)), and 4) an **increase in limonite ore sales** to ONC in 3Q24 and KPS in 2025.

Exhibit 13. TINS EV/EBITDA Band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 14. MDKA EV/EBITDA band chart (3-year)



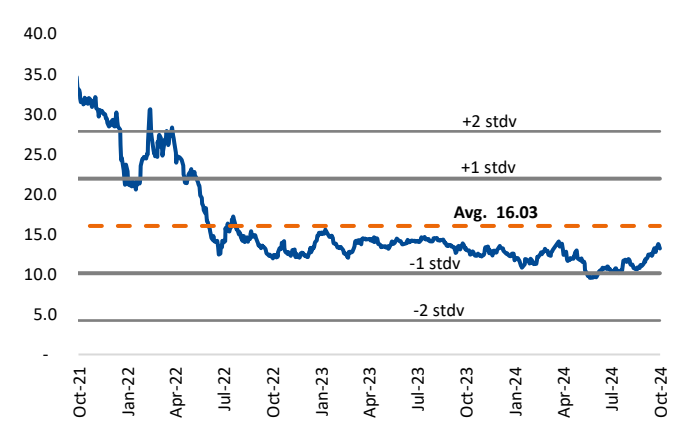
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 15. INCO P/E Band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 16. ANTM P/E Band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement, Infrastructure	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrlicch Suhartono	Institutional Sales Associate	ehrlicch@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

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BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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